

CYNGOR BWRDEISTREF SIROL
RHONDDA CYNON TAF
COUNTY BOROUGH COUNCIL

A meeting of the RCT Pension Board will be held at
Block F, The Pavilions, Clydach Vale
on 20th October 2016 9:30 a.m.

Contact: J Nicholls (01443) 424098

Item	AGENDA	Page No's
1.	DECLARATION OF INTEREST / CONFLICTS / CONFIDENTIALITY To receive disclosures of personal interest / potential conflicts from Pension Board members and to acknowledge any applicable confidentiality of business items.	
2.	MINUTES OF THE RCT PENSION BOARD 22nd April To formally agree the minutes of the 22 nd April prior to publication.	1-6
3.	ANNUAL FUND PERFORMANCE REPORT To provide an update of performance to the Board (David Cullinan, Advisor)	
4.	INVESTMENT & ADMINISTRATION PANEL To note the latest Panel meeting work (20 th June & 30 th September), opportunity for questions and provide feedback to Panel, where necessary.	7-20
5.	RISK MONITORING To consider the arrangements in place to manage risk i.e. the Pension Fund Risk Register	21-26
6.	GOVERNANCE To note governance update / review: <ul style="list-style-type: none">• RCT Pension Fund Committee / term of reference revisions• Investment Strategy Statement• Funding Strategy Statement• Valuation	
7.	MEMBER COMMUNICATIONS To receive an update on current pension communications <ul style="list-style-type: none">• Annual Benefit statement issued by statutory deadline• Annual Allowance / Lifetime Allowance letters	
8.	All WALES 'Investment Pooling' To receive an update on key project implementation timelines	

9. KNOWLEDGE AND UNDERSTANDING FRAMEWORK 27-30

To update the Knowledge and Understanding Framework, consider any training requirements and feedback.

- Section 13

10. ANY OTHER BUSINESS

RHONDDA CYNON TAF PENSION BOARD

Minutes of the meeting of Rhondda Cynon Taf Pension Board held at The Pavilions, Clydach Vale on Friday, 22nd April 2016 at 9.30 a.m.

In Attendance:

Professor Hugh Coombs	Employer Representative (University of South Wales) and Chairman of the RCT Pension Board
Gwyn Williams	Employer Representative (South Wales Police)
Angela Pring	Member Representative (Actives/Deferred)
Rob Whites	Member Representative (Pensioners)

Officers:

Ian Traylor	RCTCBC Support
Stephanie Davies	RCTCBC Support
Tim Jenkins	RCTCBC Support
Zelda Maisey	RCTCBC Admin Support

36 DECLARATION OF INTEREST/CONFLICTS/CONFIDENTIALITY

There were no declarations of personal interests/conflicts in matters pertaining to the agenda and the confidential nature of proceedings was noted

37 MINUTES

AGREED to approve as an accurate record, the minutes of the meeting of the RCT Pension Board held on 27th January 2016.

38 SUMMARY OF ACTION POINTS RESULTING FROM THE MEETING OF THE PENSION BOARD ON 27th JANUARY 2016

The Board Members considered the summary of action points arising from the minutes of its last meeting and the status updates were noted.

39 INVESTMENT AND ADMINISTRATION PANEL

The Board Members received the minutes of the meeting of the RCT Pension Fund Investment and Administration Panel held on 21st March 2016 and following consideration thereof, it was **AGREED** –

- (1) To note the minutes of the last meeting of the Investment & Administration Panel.
- (2) To note that existing custody arrangements were being looked at and a legal opinion had been sought on the way forward in this matter.

- (3) To receive further information on the value of property investments classified as limited partnerships.
- (4) To request a review of the target currently set for dealing with 'transfers-in' owing to lower priority being given to these due to increased workloads.
- (5) To request an independent review of the AVC funds currently offered by the Fund's 'In-house AVC' partner, providing assurance that the fund options remain appropriate.

40 RISK MONITORING

The Board was presented with an assessment of the risks associated with the RCT Pension Fund and the control measures in place.

Following consideration of the document presented, the Board **AGREED** to note the information provided and that adding to the list of Pension Fund risks possible changes in government policies on pensions be drawn to the attention of the Investment & Administration Panel. This, in the context of known changes such as the abolition of NI contracting out and 'capping' had implications for pension funds. Pre-budget press reports also indicated the Chancellor of the Exchequer was thinking about the possibility of further pension changes such as Pensions ISAs and flat rate tax relief for contributions to pensions potentially affecting the attractiveness of the LGPS scheme. These appeared to be deferred rather than abandoned by the 2016 Budget.

41 ANNUAL REVIEW OF KEY GOVERNANCE DOCUMENTS

The Board considered the outcome of the annual review of the Pension Fund's key governance documents which had been undertaken by the Pension Fund's Working Group.

Consideration was given to the following documents:

- Pension Fund Administration Strategy 2016
- Pension Fund Governance Policy Statement 2016
- Pension Fund Communication Policy Statement 2016
- RCT Pension Fund Compliance Statement 21016
- Funding Strategy Statement

Following a discussion, it was **AGREED** to welcome the review of the governance documents and to note that all documents will be available to view on the Pension Fund's website.

42 MEMBERS COMMUNICATIONS

The Board first received a copy of the latest edition of 'Pension Connection' – the newsletter for retired members of the RCT Pension Fund which provided useful facts and information.

The Board then received a presentation from Tim Jenkins, Pension Fund System Administrator which provided an insight into a new online service entitled “My Pension Online” recently released to the Fund’s Pensioner Members.

During the presentation, it was noted that those who signed up through the ‘My Pension Online’ secure portal, were able to:

- Update their contact information with a click of a button
- Request a change of bank details online eliminating the need for them to complete a form, sign it and send it via Royal Mail
- View their payslip and P60 histories
- Run a benefit projection to illustrate what spouse or dependant pension is likely to be payable should the unfortunate happen

The Board noted the security steps required to direct pension members towards the new online service, ensuring the integrity of member data was maintained. It was acknowledged that further testing was required prior to implementing the deferred and active member modules, given the additional estimate calculation functionality available to them. The Board concurred with the phased approach being taken.

A discussion ensued around the type of calculators to be made available on the system for use by both active members and pensioners and, also, the level of information that needed to be provided by members regarding their Death Grant nominations.

43 MEMBERSHIP DATA

Year End Schedule

The Board Members were informed that the deadline for this year’s End of Year Schedule was 29th April 2016 and they were provided with a copy of the annual letter sent out to Employers regarding their submission of data in relation to members’ contributions. It was noted that the early submission of data allowed that data to be checked thoroughly to ensure that employees’ information was correct.

Annual Benefit Statement Plan

The Board Members were advised of the Annual Benefit Statement delivery plan which is timetabled such that all statements would be issued prior to 31st August 2016.

Valuation Timetable

The Board Members were provided with an indication of the timescales and intermediate steps in the valuation process along with information on the type of elements included in the core valuation service.

Gwyn Williams enquired whether or not the timing of the Pension Fund AGM could mirror the timescales of release of the individual employer results to help inform discussion with the Actuary at the AGM. It was pointed out that the early release of such data could aid employers in their budgeting processes for 2017/18. Ian Traylor confirmed that this could be logistically difficult given the staggered receipt of employer results between November and January, however, he would raise this at the Panel for consideration.

44 KNOWLEDGE AND UNDERSTANDING FRAMEWORK

Rob Whiles passed on his Development Record details to Officers and Gwyn Williams stated that he would pass on his Record following the meeting. It was noted that Angela Pring had already completed the Trustees Toolkit in October 2015.

The Board Members were advised to contact the Officers regarding future training requirements or opportunities.

45 OTHER BUSINESS

(1) Gwyn Williams queried whether there was any information available in terms of what changes would be required to Pensions Regulations in terms of 'Payment Caps' and the Board was informed by Ian Traylor that there was no update from L.G.A. or D.C.L.G. on this issue.

(2) It was **AGREED** that the next Board meeting would take place mid July 2016.

**PROFESSOR H. COOMBS
CHAIRMAN**

The meeting closed at 1.20 p.m.

**SUMMARY OF ACTION POINTS ARISING FROM THE MEETING OF THE RCT
PENSION BOARD HELD ON 22 APRIL 2016**

MINUTE	ACTION	RESPONSIBLE MEMBER/OFFICER	STATUS
39(3)	To receive further information on the value of property investments classified as limited partnerships.	SD	
39(4)	To request a review of the target currently set for dealing with 'transfers-in processed within 10 days' owing to lower priority being given to these due to increased workloads.	IT	
39(5)	To request an independent review of the AVC funds offered by the Fund's 'In-house AVC' partner providing assurance that the fund options remain appropriate.	IT	
40	Adding to the list of Pension Fund risks possible changes in government policies on pensions be drawn to the attention of the Investment & Administration Panel. This, in the context of known changes such as the abolition of NI contracting out and 'capping' had implications for pension funds. Pre-budget press reports also indicated the Chancellor of the Exchequer was thinking about the possibility of further pension changes such as Pensions ISAs and flat rate tax relief for contributions to pensions potentially affecting the attractiveness of the LGPS scheme . These appeared to be deferred rather than abandoned by the 2016 Budget.	IT	
45(2)	Arrangements to be made for next meeting to take place in July 2016	IT ZM	

**RHONDDA CYNON TAF PENSION FUND INVESTMENT &
ADMINISTRATION PANEL**

Minutes of the Rhondda Cynon Taf Pension Fund Investment & Administration Panel held at the Valleys Innovation Centre, Abercynon on 20th June 2016 at 12.30 p.m.

PRESENT

Panel Chair:

Chris Lee - Group Director, Corporate & Frontline Services

Panel Members:

Barrie Davies - Director of Financial Services (Deputy Panel Chair)

Stephanie Davies - Head of Finance: Education & Financial Reporting

Ian Traylor - Head of Pensions, Payroll and Payments

Yvonne Keitch – Principal Accountant, Treasury & Pension Fund Investments

Vanessa Thomas – Senior Accountant, Treasury & Pension Fund Investments

Independent Investment Advisors:

David Cullinan - The WM Company

Carolyn Dobson - Investment Advisor & Trustee Services

Fund Manager Presentations:

F&C (Ian Biscoe, Ian Robinson)

1. DECLARATIONS OF INTEREST

1.1. There were no declarations of interest.

2. RECORD OF THE LAST MEETING

2.1. The minutes of the 21st March 2016 Panel meeting were agreed as an accurate record.

3. INVESTMENT REPORT OF THE GROUP DIRECTOR, CORPORATE AND FRONTLINE SERVICES

3.1. The overall value of the Fund increased from £2,424 million (31st December 2015) to £2,466 million (31st March 2016).

3.2. The overall return of the Pension Fund for the quarter ending 31st March 2016 was 1.4%, behind the scheme specific benchmark of 2.4%.

3.3. Over 3 years the Fund return is 7.9%, well ahead of the 6.1% benchmark, with all active managers apart from BMO Global Asset Managers (BMOGAM) contributing to outperformance:

Mandate	Benchmark Return	Performance Achieved
Baillie Gifford (Equities)	5.3%	7.8%
Baillie Gifford (High Alpha Equities)	8.0%	10.1%
Newton (High Alpha Equities)	8.0%	9.5%
Invesco (UK Equities)	3.7%	9.0%
Blackrock (UK Equities)	3.7%	6.5%
BMO GAM(Bonds)	4.8%	4.7%
CBRE (Property)	6.1%	9.8%
L&G (Passive Global Equity)	8.2%	8.1%

3.4 BD updated the panel of the new governance arrangements incorporating a Pension Fund Committee, referring panel members to the relevant pages of the Governance Policy Statement as distributed with the papers.

4. ANNUAL PERFORMANCE REPORT OF WM

4.1. In the absence of Lynn Coventry, David Cullinan presented the Annual WM performance report to the Panel.

4.2. Property had a 9th successive positive year, returning 11.7%.

4.3. Equities have given excellent results over the last two decades, although offered very little premium over bonds.

4.4. Asset growth over the 20 years in total has been very good for the LGPS, however, liabilities have also increased.

4.5. The average asset allocation looks broadly unchanged over the last five years. Within the asset categories, however, there has been some more significant shifts. The UK weighting is now less than 40% of the total equity weighting and many funds are now investing through global pooled vehicles. Within bonds, the average fund now has most of the UK exposure within corporate rather than government issues whilst within alternatives, we have seen investments in active currency and GTAA almost disappear whilst pooled multi-asset (diversified growth) now commands 3% of the total Universe.

4.6. The performance of the RCT Pension Fund compared to our customised benchmark has been strong in the short and medium term.

	1 Year %	3 years % p.a.	5 Years % p.a.	10 years % p.a.
Fund	1.7	7.9	8.6	6.4
Benchmark	-0.3	6.1	7.2	5.6
Relative	+2.0	+1.7	+1.4	+0.8

4.7. Over the last 5 years, strong stock selection by our active equity managers has driven benchmark outperformance, with little contribution from asset allocation.

- 4.8. The RCT Pension Fund's performance compared to the WM Local Authority Universe is in the top decile over 3 years, and top quartile over 5 and 10 years.

	3 years % p.a.	5 years % p.a.	10 years % p.a.
Fund	7.9	8.6	6.4
Benchmark	6.4	7.1	5.6
Relative	1.4	1.4	0.8
Ranking	10	13	12

- 4.9. In summary, 2015/16 was another year of good absolute and relative returns for the RCT Pension Fund, driven by strong equity performance. Our medium term returns are firmly ahead of benchmark, and the fund has performed favourably compared to other public sector funds over periods up to 10 years.

5. INVESTMENT REPORT OF BMO GLOBAL ASSET MANAGEMENT

- 5.1 Ian Biscoe and Ian Robinson presented to the Panel for BMO Global Asset Management.(BMOGAM)
- 5.2 BMOGAM has £160.6 billion of assets under management
- 5.3 Ian Biscoe informed the panel that Richard Wilson had been appointed to the role of Chief Executive Officer and Chief Investment Officer at BMOGAM, having previously been CEO at BMOGAM (EMEA) since 2014. Richard was CEO of F&C at the time of its acquisition.
- 5.4 BMOGAM had achieved a positive return over the quarter but underperformed the benchmark. The one year performance was slightly below benchmark and the three year fell behind benchmark. IR said that monthly performance was "up and down" with no clear direction to the months ahead.
- 5.5 Credit spreads have been more volatile of late due to concerns over global growth. Issuance has been very high in Euros and US Dollars but benign in sterling.
- 5.6 BMOGAM's return for the year was 1.6%, behind the benchmark of 1.8%. Over 3 years, BMOGAM are marginally behind the benchmark, returning 4.7 p.a. compared to the 4.8% p.a. benchmark.
- 5.7 Growth outlook remains limited with China having the most growth impetus. Central banks continue to be cautious with regard to policy accommodation. Brexit remains the near term concern. UK growth continues to be subdued.
- 5.8 UK inflation over the next two to three years is not expected to hit the target of 2% therefore it is unlikely that interest rates will rise.
- 5.9 The current portfolio positioning is similar to that of the previous year, being close to the benchmark. The portfolio is currently underweight Government, Supras and non-financials and overweight banks other financials, securitised and cash.

6 **Annual Review of Fund Manager Benchmarks and Targets**

- 6.1 YK reported to the Panel on the current benchmarks and targets in operation for our fund.

Baillie Gifford Traditional Equity

Benchmark:

UK	FTSE All Share
America	FTSE North America
Europe	FTSE All World Europe – Ex UK
Far East	FTSE All World Developed Asia
Other Intl	MSCI Emerging Markets

Target: To outperform benchmark by 1% over a rolling 3 year period.

Baillie Gifford Global High Alpha

Benchmark: MSCI All Countries World Index

Target: To outperform benchmark by 2% over a rolling 3 year period.

Newton Global High Alpha

Benchmark: MSCI All Countries World Index

Target: To outperform benchmark by 2% over a rolling 3 year period.

BlackRock UK Equity

Benchmark: FTSE All Share

Target: To outperform benchmark by 2% over a rolling 3 year period.

Invesco UK Equity

Benchmark: FTSE All Share

Target: To outperform benchmark by 2% over a rolling 3 year period.

BMO GAM Bonds

Benchmark:

UK Bonds	FTA UK Government All Share Index
Corporate	IBoxx GBP Non Gilt Index

Target: To outperform benchmark by 0.5% over a rolling 3 year period.

CBRE Property

Benchmark: RPI

Target: To outperform benchmark by 4.5% over a rolling 3 year period.

- 6.2 The Panel noted and agreed the fund managers benchmarks and targets.

7. **SKILLS AND KNOWLEDGE FRAMEWORK**

- 7.1 The questionnaires have now been completed by members of the Pension Fund Working Group. A gap analysis is currently being carried out to identify any training requirements.

8. **PENSION FUND RISK REGISTER**

- 8.1 One new risk has been added to the risk register to reflect the Funds awareness around risk associated with changes in government policy in pensions, a possible impact on 'opt-out' levels and maturity ratio.

- 8.2 The risk likelihood score relating to custody arrangements remains at 3 as this issue has not yet been resolved.

9. STATEMENT OF INVESTMENT PRINCIPLES AND MYNERS COMPLIANCE STATEMENT

- 9.1 YK reported to the Panel on the updated Statement of Investment Principles, and Myners' Compliance Statement.
- 9.2 Changes have been made to reflect the Pensions Committee's responsibilities, update job titles and the percentages of the fund held by our various fund managers.
- 9.3 The Panel noted and agreed the updated Statement of Investment Principles and Myners' Compliance Report.

10. ADMINISTRATION REPORT OF THE GROUP DIRECTOR, CORPORATE AND FRONTLINE SERVICES

- 10.1 A Pensions Board meeting was held on 22nd April 2016, and minutes of the 27th January 2016 meeting have been published on the RCT Pension Fund website.
- 10.2 A Board member requested consideration of holding the AGM at a date in line with the release of individual employer valuation results. The Panel recognises the importance of employer information being released as soon as it is available. However given the uncertainties around the timing of results (which become available for individual employers over a period of time), it is not possible for the AGM to be set in line with this. The AGM is also used as a forum to distribute the Annual report in line with statutory timescales.
- 10.3 An ongoing training scheme is being provided to fund apprentices. Two managers are undertaking an ILM level three in coaching. One manager is undertaking the Mercury project.
- 10.4 Year-end processes are underway. An initial meeting is being arranged with the actuary to agree timescales. Submission date of RCT fund data to the actuary is 12th August 2016.
- 10.5 Progress is on-going on GMP reconciliations for the HMRC.
- 10.6 Two pre-retirement presentations were facilitated for Merthyr CBC.
- 10.7 Annual pensioner newsletters issued, making reference to the Pensions Board and the new electronic self-serve service.
- 10.8 The Pension Fund Governance policy statement has been review and updated to reflect the establishment of the Pension Fund Committee. This was circulated with the Panel papers for review.

10.9 Key service standards:

MONTHLY SERVICE STANDARDS					
Standard Measured		Target Intervention	Actual for Month February 2016	Comments on Monthly Performance	2015-2016 Year to Date Actual Performance
% refund of contributions processed within 10 days (Monthly)	Payment	95.00	97.78		97.77
% divorce estimates processed within 10 days (Monthly)	Statement	95.00	100.00		97.73
% preserved benefits processed within 10 days (Monthly)	Statement	90.00	93.33		81.96
% employer requests for retirement estimates processed within 5 days (Monthly)	Statement	95.00	96.49	Increase in Performance	97.46
% retirements from active membership processed within 5 days (Monthly)	Payment	95.00	95.56	Increase in performance	94.27
% preserved benefits into payment on retirement processed within 5 days (Monthly)	Payment	95.00	100.00		94.41
% transfers in processed within 10 days (Monthly)	Statement	90.00	85.71	Increase in Performance	77.17
% transfers out processed within 10 days (Monthly)	Payment	95.00	100.00		98.43

10.10 Internal Dispute Resolution Procedure appeals in progress as at March 2016:

TYPES	EMPLOYER	FUND	EMPLOYER	FUND	TPAS	OMBUDSMAN	Appeal Resolutions
	Stage1	Stage1	Stage 2	Stage2			
Ill health: tier			4			1	Appeal not upheld
Ill health: non release of benefits	4 2						Appeal not upheld
Benefits: refusal/failure to pay or late payment							
Benefits: incorrect calculation						1	
Death Benefits							
Interpretation of scheme rules/policy terms	1						
Benefits: overpayment							
Failure to provide information/act on instructions							
Injury benefit							
Transfers: general							

- 10.11 For the Fund's Admitted Bodies who are required to hold a 'Bond', the Pension Fund Actuary has assessed the values, which have been re-calculated to reflect the 2014 scheme changes and the assumptions within the 2013 Valuation as shown below. This will now be reviewed as part of the 2016 Valuation exercise.

11. ALL WALES COLLABORATION UPDATES

- 11.1 The All Wales Group, supported by Hymans, had to submit an initial proposal to Central Government in February 2016. Government response was that they could support this initial proposal for a Wales Pool.
- 11.2 CL updated the Panel on the All Wales Group meeting with DCLG and Government on 16th June. Dafydd Edwards, Anthony Parnell and Chris Lee presented to the Evaluation Panel.
- 11.3 Final submission date of the All Wales proposal to Government is 15th July 2016.
- 11.4 The All Wales Group intends to appoint a FCA regulated operator to operate the pooling arrangements rather than build one of its own. However they may consider establishing its own operator in the medium to long term.
- 11.5 A formal Joint Governance Committee is to be established, with one fund having one vote. The Joint Committee will be responsible for appointing and monitoring the operator. They will provide accountability to participate in funds.
- 11.6 An Officer Working Group is to be established. This will advise the Joint Governance Committee on the nature of the sub funds to be made available by the operator. This group will monitor performance of the underlying investment portfolios.
- 11.7 There is considerable scope for savings in the pooling of assets.

12. FEEDBACK FROM THE COMMUNICATION FORUM AND PFWG

- 12.1 The meeting of the Communications Forum is to take place on 6th July 2016
- 12.2 Feedback from the PFWG has already been discussed under specific agenda items.

13. ANY OTHER BUSINESS

- 13.1 BD informed the panel of the forthcoming class action of Express Scripts. The case arises from a contract dispute between the Company and Anthem, its largest client. During 2015, Anthem pressed Express Scripts on a concession on drug pricing, accusing the company of breach of contract. Express Script maintained in its communication with investors that its relationship with Anthem was strong. When investors learnt of the deteriorated relationship, the stock declined substantially. It is estimated than RCT has incurred a loss of \$515,000 during the class period covered by the case.

13.2 The Fund has agreed to seek appointment as joint lead plaintiff in this action

14. **INVESTMENT ADVISOR REVIEW**

14.1 A review of the performance of our investment advisors against key requirements was discussed by the Panel.

14.2 The Panel agreed the scoring of each advisor, and confirmed that we are happy with their overall performance.

14.3 BD to provide feedback to DC and CD.

14.4 The meeting closed at 3:30 p.m.

**RHONDDA CYNON TAF PENSION FUND INVESTMENT &
ADMINISTRATION ADVISORY PANEL**

Minutes of the Rhondda Cynon Taf Pension Fund Investment & Administration Advisory Panel held at the Pavilions, Clydach Vale on 30th September 2016 at 12.00 p.m.

PRESENT

Panel Chair:

Chris Lee - Group Director, Corporate & Frontline Services

Panel Members:

Barrie Davies - Director of Financial Services (Deputy Panel Chair)

Stephanie Davies - Head of Finance: Education & Financial Reporting

Ian Traylor - Head of Pensions, Payroll and Payments

Yvonne Keitch – Principal Accountant, Treasury & Pension Fund Investments

Vanessa Thomas – Acting Senior Accountant, Pension Fund and Charities/Trust Funds

Independent Investment Advisors:

David Cullinan

Carolyn Dobson - Investment Advisor & Trustee Services Ltd.

Fund Manager Presentations:

CBRE (Max Johnson, Alex Bignall, Mark Adcock)

1. DECLARATIONS OF INTEREST

1.1. There were no declarations of interest.

2. RECORD OF THE LAST MEETING

2.1. The minutes of the 20th June 2016 Panel meeting were agreed as an accurate record, with two minor amendments.

3. INVESTMENT REPORT OF THE GROUP DIRECTOR, CORPORATE AND FRONTLINE SERVICES

3.1. The overall value of the Fund increased from £2,466 million (31st December 2016) to £2,584 million (30th June 2016).

3.2. The overall return of the Pension Fund for the quarter ending 30th June 2016 was 5.3%, behind the scheme specific benchmark of 6.5%.

3.3 The 3 year performance of each manager is as follows:

Mandate	Benchmark Return	Performance Achieved
Baillie Gifford (Equities)	8%	9.5%
Baillie Gifford (High Alpha Equities)	11.2%	11.8%
Newton (High Alpha Equities)	11.2%	12.1%
Invesco (UK Equities)	5.8%	8.1%
Blackrock (UK Equities)	5.8%	9.3%
BMO GAM(Bonds)	7.8%	7.7%
CBRE (Property)	6.2%	9.5%
L&G (Passive Global Equity)	11.2%	11.1%

3.4 Given that all managers underperformed against their benchmarks this quarter, CD noted the equity fund managers are driven by different beliefs e.g. Baillie Gifford is a good balance to Newton.

3.5 Invesco have underperformed in the last 3 quarters and BD and YK are to meet them during October.

4. INVESTMENT REPORT OF CBRE

4.1. Max Johnson, Alex Bignell and Mark Adcock reported to the Panel for CBRE.

4.2. As at 30th June 2016, the invested value of the portfolio was £163.8 million in 20 underlying funds. There was also £2.0 million of undrawn fund commitments and £1.5 million of cash on account.

4.3. The interest rates post Brexit are likely to remain lower for a longer period until 2020/21. This will impact on the property yield spread between prime and secondary markets, with the managers favouring prime.

4.4. CBRE's preferred investment strategies in a post Brexit environment are:

- Other commercial, including student accommodation, leisure and healthcare.
- Industrial property for higher yield

CBRE believe the portfolio is defensive and resilient to the post Brexit environment.

4.5. The vulnerability in the portfolio will vary according to sector. Offices, especially in central London are more at risk, however the portfolio is underweight in this area. There is only a holding of 2.3% in offices in central London and overweight in the safer sectors such as 'industrial' and other 'commercial'.

- 4.6. There is £163.8m currently invested in 20 funds, of which 6 are in wind down and will be ending within 24 to 36 months. One legacy holding is set to continue to 2018, but will hopefully be wound down earlier. These units are still generating a return.
- 4.7. CBRE's strategy is to:
- Maintain or increase exposure to Industrial/logistics and defensive alternatives / long lease funds
 - Reduce or rebalance exposure to shopping centres, retail warehousing and student accommodation
 - Seek to increase exposure to funds with longer, higher quality income.
 - Complete exit from a legacy holding.
 - Efficiently recycle capital from sales
 - Reduce leverage and risk.
 - Maintain portfolio conviction, target 15-20 holdings
- 4.8. Upon Max Johnson's request, CL gave an update on the All Wales Collaboration. The All Wales Collaboration is currently procuring for an operator. The Prior Information Notice has expired. A formal tender is likely to take place early November 2016, with an operator being appointed in Spring 2017. To date, no formal approval has been received from the DCLG, but our focus continues to be on establishing appropriate governance arrangements.

5. SKILLS AND KNOWLEDGE FRAMEWORK

- 5.1 YK reported on the skills and knowledge framework to the Panel.
- 5.2 The framework now includes the Pensions Committee.
- 5.3 CL requested the ongoing training with the All Wales Collaboration be added to the training being undertaken i.e., the conference calls and the two days of engagement with potential ACS providers.

6. PENSION FUND RISK REGISTER

- 6.1 YK reported to the Panel on the Pension Fund Risk Register.
- 6.2 YK noted that the Risk Register had been amended to reflect establishment of Pension Fund Committee and amended role of Advisory Panel.

7. ADMINISTRATION REPORT OF THE GROUP DIRECTOR, CORPORATE AND FRONTLINE SERVICES

- 7.1 IT updated the Panel on administration issues facing the Fund.
- 7.2 Requests have been received from two Community Councils and admissions will be processed on receipt of the appropriate resolution of bodies.
- 7.3 The next Pensions Board meeting is scheduled for 20th October. The Board is to receive updated T and C's to reflect the role of Pensions Committee and IT to discuss Agenda items with the chair.

7.4 As yearend revaluation has now been finalised, the GMP reconciliation has recommenced.

7.5 The lifetime allowance limit has been reduced from £1.125m to £1m.

7.6 The Annual Pension Fund Report is being prepared and will be available for the AGM on 21st November 2016.

7.7 Key service standards:

MONTHLY SERVICE STANDARDS					
Standard Measured		Target Intervention	Actual for Month of August	Comments on Monthly Performance	2016-2017 Year to Date Actual Performance
% refund of contributions processed within 10 days (Monthly)	Payment	95.00	100.00	72 cases completed	98.60
% divorce estimates processed within 10 days (Monthly)	Statement	95.00	100.00		78.57
% preserved benefits processed within 10 days (Monthly)	Statement	90.00	100.00	249 cases completed	95.51
% employer requests for retirement estimates processed within 5 days (Monthly)	Statement	95.00	100.00		95.29
% retirements from active membership processed within 5 days (Monthly)	Payment	95.00	100.00		98.36
% preserved benefits into payment on retirement processed within 5 days (Monthly)	Payment	95.00	96.88		97.05
% transfers in processed within 10 days (Monthly)	Statement	90.00	88.89	GAD Guidance now available but experiencing problems with some calculations which have been reported to the software provider	81.40
% transfers out processed within 10 days (Monthly)	Payment	95.00	100.00		96.93

7.8 For the Fund's Admitted Bodies who are required to hold a 'Bond', the Pension Fund Actuary has assessed the values, which have been recalculated to reflect the 2014 scheme changes and the assumptions within the 2013 Valuation. It will now be reviewed as part of the 2016 Valuation exercise.

<u>TYPES</u>	<u>EMPLOYER</u>	<u>FUND</u>	<u>EMPLOYER</u>	<u>FUND</u>	<u>TPAS</u>	<u>OMBUDSMAN</u>	<u>Appeal Resolutions</u>
	<u>Stage1</u>	<u>Stage1</u>	<u>Stage 2</u>	<u>Stage2</u>			
Ill health: tier						4	Appeal not upheld
Ill health: non release of benefits	4 4 1		1				Appeal allowed – Benefits released Appeal not upheld.
Benefits: refusal/failure to pay or late payment			4				Appeal not upheld.
Benefits: incorrect calculation						4	Appeal not upheld but ombudsmen awarded compensation to be paid by employer
Death Benefits							
Interpretation of scheme rules/policy terms	4						Appeal not upheld
Benefits: overpayment							
Failure to provide information/act on instructions							
Injury benefit							
Transfers: general							

The Fund has a long standing complaint by a pensioner member who has made repeated complaints under similar guises over a protracted period (25 years). The most recent complaint was allowed back through the Fund's IDRPs (for the second time) in an attempt to avoid court proceedings, and associated costs for the member. At Stage 3 of the IDRPs the Pensions Ombudsman refused to review the complaint as it was considered outside the time limits. The member has now lifted the stay on the court proceedings and a draft order was issued requiring the member to submit details by 30 May 2016, which required a Council response by 30 June 2016. The proceedings have now been relisted by the court for review in July 2017.

8. ALL WALES COLLABORATION UPDATES

- 8.1 CL updated the Panel on collaboration developments between the Welsh LGPS funds.
- 8.2 To date, there has been no feedback from DCLG. We have however, been encouraged to continue with the All Wales proposal and Governance arrangements for a shadow Joint Committee are progressing.
- 8.3 The Prior Information Notice for an operator for the pool closed in September. There were 22 initial applicants. Engagement days took place on the 22nd and 23rd September. The Officer Working Group met with twelve potential operators. There were various levels of service offered.

9. PENSION FUND ACCOUNTS AUDIT 2015/16

- 9.1 Pension Fund Accounts were approved on Wednesday 28th September 2016. Main issue was the accounting of group transfers which should have been accounted for in 2014/15. Going forward, the effective date of transfer is to be monitored.
- 9.2 CL noted that this was a positive audit and that positive feedback was received by the external auditor.

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Summary of Pension Fund Risks

AGENDA ITEM 5

Introduction

The purpose of this document is to assess the risk associated with the RCT Pension Fund and to outline the control measures in place.

Key to scoring

Likelihood Assessment Matrix:

Factor	Score	Indicators
Almost certain	5	99% likely to happen or has happened on a regular basis over the last 12 months
Very likely	4	75% likely to happen or has happened at least once or twice in the last 12 months
Likely	3	50% likely to happen or has happened once or twice in the last 24 months
Unlikely	2	20% likely to happen or has happened once or twice in the last 5 years
Highly unlikely	1	5% likely to happen or hasn't happened within the last 5 years

Impact Assessment Matrix:

Risk	Score
Major	5
High	4
Moderate	3
Minor	2
Trivial	1

Ascertainment Of Risk Level According To Levels Of Impact And Likelihood:

Likelihood	5					
	4			1		1
	3			1	2	
	2	1	1	1	7	2
	1		3	4	7	3
		1	2	3	4	5
						Impact

1	High Risk
13	Medium Risk
20	Low Risk

Overarching Fund Objective – to ensure Fund assets are sufficient to meet Fund liabilities in the short, medium and long term

Risk Category	Risk Description	IMPACT	LIKELIHOOD	RATING	Control Measure	Comments on changes in risk rating Sept 2016
Funding	Long term investment strategy unable to meet the objective of funding liabilities.	5	2	10	<ul style="list-style-type: none"> Monitoring of deficit, reporting on the funding levels produced by the actuaries. Monitoring of the adopted asset / liability model. 	
	Sub-optimal asset allocation throughout the portfolio.	4	2	8	<ul style="list-style-type: none"> The investment strategy is reviewed and adopted by the Pension Fund Committee . The Committee (with advice from the Advisory Panel) should regularly review the asset allocation strategy. The review should cover both the fund strategy and the asset allocation. 	Amended to reflect role of Committee and Advisory Panel
	Actuarial assumptions are not met. e.g. discount rate, life expectancy assumptions.	4	2	8	<ul style="list-style-type: none"> Agree and set prudent assumptions in conjunction with the appointed Fund Actuary, based on past trends, forecasts, longevity modelling. Adhere to triennial valuations. Monitor performance against assumptions, consider Interim Valuations where necessary. Receive regular Actuarial Funding updates. 	
	Increases in Employer contributions.	4	2	8	<ul style="list-style-type: none"> Participate in LGPS Scheme design consultation. Engage with Employers during and between Valuation cycles, particularly during times of organisational change e.g. downsizing, outsourcing. Ensure adequate securities / guarantees are in place where possible and that consequential risk is fully communicated to relevant parties. 	
	Detrimental changes to the maturity of fund membership. As the scheme matures the ratio of pensioner / deferred pensioner to active employees increases.	4	1	4	<ul style="list-style-type: none"> Monitor carefully through the valuation cycle. Ensure the investment strategy reflects current and forecast Fund maturity. Actively participate in pension consultation, giving due consideration to any proposals that may have a disproportional impact on scheme 'opt out' rates. 	

Investments	Financial Market suppressed by economic climate, national / global austerity measures and Brexit.	3	4	12	<ul style="list-style-type: none"> Long-term funding plan with a diverse range of asset classes and Fund Manager styles. Panel clearly understand the impact of market conditions on asset classes and fund manager performance. Panel monitor and scrutinise performance, market conditions and forecasts. 	Addition of Brexit to the risk description
	Custody arrangements may not be sufficient to safeguard pension fund assets.	4	3	12	<ul style="list-style-type: none"> An agreement is in place between the custodian and Pension Fund. Monthly reconciliations are carried out to check external custodian records. Funds held in the name of the Pension Fund, not the Fund Manager nor the Custodian. 	Likelihood score to remain as 3, given the continuing issue with custodian settling two lines of property in their nominee name.
	Investment returns fail to meet agreed targets.	4	2	8	<ul style="list-style-type: none"> Regular monitoring of investment returns. Advisory Panel review and challenge of fund manager performance against their benchmarks and targets. Use advisors to support the monitoring and challenge of fund managers. Where performance issues arise, put more targeted review and challenge arrangements in place. 	
	Pension fund investments may not be accurately valued.	4	1	4	<ul style="list-style-type: none"> Investments are valued using correct prices obtained by fund managers from independent third party agencies. 	
	Fund managers may not have the appropriate control framework in place to protect pension fund assets.	4	1	4	<ul style="list-style-type: none"> Agreements are in place between fund managers and the Pension Fund. Portfolios are managed in accordance with the investment objectives. Monthly reconciliations are carried out to check portfolios against administering authority records. Third parties provide the Pension Fund with an annual internal control report, which provides assurance. FCA regulated. 	
	Fund manager mandate restrictions and benchmarks constrain returns.	3	1	3	<ul style="list-style-type: none"> Obtain advice from advisors. Obtain advice from performance measurement company. 	
	Investments are not carried out by the fund manager in accordance with instructions given by the Pension Fund.	3	1	3	<ul style="list-style-type: none"> Investment assets and transactions are monitored in-house via the Euraplan Shareholder II system. Investment management fees are monitored on a quarterly basis. 	.

Governance	Introduction of new pooling arrangements by central government	5	4	20	<ul style="list-style-type: none"> • Society of Welsh Treasurers Pension Sub Group carrying out work well in advance of proposals. • All Wales Pension Fund's CIV proposal already well developed. • Passive manager for All Wales Pension Fund appointed, at contract negotiation stage. • Participation on consultation papers. 	
	Failure to comply with LGPS Governance Regulation / Pension Regulator Code of Practice.	5	1	5	<ul style="list-style-type: none"> • Fund Governance Compliance Statement is reviewed and published annually. • The Fund's 'Pension Board' became effective from 01st April 2015. • The Fund has a breaches policy. • Review the Investment Strategy Statement in accordance with DCLG guidance by 1st April 2017 	Additional control measure inserted in light of recently issued DCLG guidance
	Members, officers and advisors do not have the right knowledge or skills.	4	1	4	<ul style="list-style-type: none"> • The Pension Fund has adopted the CIPFA knowledge and skills framework. This ensures that over time the right knowledge and skills are available for decision making. • The Pension Fund subscribes to relevant professional bodies, e.g. LAPFF. 	
	Loss of reputation.	2	2	4	<ul style="list-style-type: none"> • The Fund holds Annual General Meetings, Communication Forums, seminars and training. • The Fund has a dynamic website responding to stakeholder requirements. • Knowledgeable and professional staff. • Meetings are held regularly with the Fund's employer authorities. • Benefit statements are sent out annually to members by 31st August . • Monitoring of Fund Manager voting decisions. • Annual reports are produced by 1st December 	
	Conflicts of Interest arise.	3	1	3	<ul style="list-style-type: none"> • Declarations to be made by Advisory Panel Members, Board Members and Committee Members. • Director of Legal Services maintains a Register of Interests. • Fund Governance Policy. • Employer / Member Engagement – Communication Policy. • Transparency – published audited accounts, Valuation, Annual Report, etc. 	Amended to reflect role of Committee and Advisory Panel

	Failure to comply with the Myners Statement of Investment Principles.	2	1	2	<ul style="list-style-type: none"> The Statement is reviewed annually by the Advisory Panel and approved by the Pension Committee. 	Amended to reflect role of Committee and Advisory Panel
Operational	Failure to hold personal data securely.	5	2	10	<ul style="list-style-type: none"> Administering Authority Information Management Security policies. All Scheme Member correspondence securely imaged. Appropriate Data Protection Registration. 	
	Failure to meet Service Standards.	3	3	9	<ul style="list-style-type: none"> Pension Fund Administration Strategy. Workforce planning, realign to meet one off demands, skills and training review. Appropriate systems and technology. 	
	Failure to implement scheme changes.	4	2	8	<ul style="list-style-type: none"> Regular updates are received, reviewed and acted upon in a timely manner. Ensure software is adapted appropriately. Membership of relevant pensions professional bodies. 	
	Compliance with data quality regulation and best practice.	4	2	8	<ul style="list-style-type: none"> Good relationships / communication with Employers. Ensure timely notification by Fund Employers of new starters, changes and leavers. Issue annual benefit statements to scheme members for review. 	
	Failure to complete GMP Reconciliation by December 2018.	4	2	8	<ul style="list-style-type: none"> Reconciliation underway Plan being developed Resource requirements being assessed Working group set up and meeting regularly 	
	Admitted bodies go into administration.	3	2	6	<ul style="list-style-type: none"> Employer covenants or bonds. Regular review of covenants. 	
	Failure to pay pensioners on time.	5	1	5	<ul style="list-style-type: none"> Payroll Timetables maintained. Business Continuity Plan. 	
	Delivery of Triennial Valuation	5	1	5	<ul style="list-style-type: none"> Employer Engagement : Year End Data Schedules Issued / Timetable / Support Project Terms of Reference / Timetable agreed with Actuary April'16 Draft Employer Results issued by December'16 Full Report and Contribution Certificate published prior to 31/3/2017 Formal review of Funding Strategy 	

	Qualification of accounts.	4	1	4	<ul style="list-style-type: none"> Financial Information reconciled on a timely basis. Accounts are prepared in accordance with the relevant regulations, guidance and Codes of Practice. Regular dialogue with external auditors. 	
	Operational disaster (fire / flood, etc)	4	1	4	<ul style="list-style-type: none"> Business continuity procedures are in place 	
	Compliance with Fund 'Dispute' Regulation.	3	1	3	<ul style="list-style-type: none"> Internal Dispute Procedure in place. 	
	Failure by employers to pay contributions into the Fund on time	2	1	2	<ul style="list-style-type: none"> Monitoring of monthly receipts to remittances Report any breaches to Regulator 	
	Fraud.	2	1	2	<ul style="list-style-type: none"> Strict internal control mechanisms, segregation of duties, etc. Internal and External Audit Review. National Fraud Inspectorate participation. 	
Regulatory	Loss of key staff / expertise.	4	3	12	<ul style="list-style-type: none"> Job descriptions and person specifications. Dynamic training program. Workforce planning arrangements in place. 	
	Failure to comply with LGPS regulations and any other new regulations.	4	1	4	<ul style="list-style-type: none"> There are sufficient fully trained staff. Regular updates are received and acted upon. Membership of relevant pensions professional bodies. Welsh Pension Officer Group participation Welsh Pension Fund Treasurers Group participation. 	
	Excessive charges by suppliers	1	2	2	<ul style="list-style-type: none"> Regular budget monitoring Periodic review of suppliers 	

Rhondda Cynon Taf Pension Board – Knowledge and Skills Framework

Background

The nature of the benefits regulation relevant to the scheme is becoming more complex, with a new scheme introduced from April 2014 which will be based on career average rather than final salary with the normal retirement age increasing in line with the state pension age. Employee contribution rates are likely to be further revised.

Funds are adopting more complex and diverse investment strategies. This has increased the trend towards alternative asset classes including private equity infrastructure and hedge funds.

To obtain an understanding of Governance and other aspect of the local authority pension scheme including legislation, scheme benefits, investment strategy, actuarial methods and pensions accounting it is necessary for both officers and committee members to undergo a structured assessment and training programme.

In an attempt to determine the rights skills CIPFA has developed a knowledge and skills framework. The framework identifies six areas of knowledge and skills as the core technical requirements for those involved in decision making. They are

- Pensions legislative and governance context
- Pensions accounting and auditing standards
- Financial services procurement and relationship management
- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods , standards and practices

Core Technical Requirements

	Pensions Legislative and Governance Context	Pensions Accounting and Auditing Standards	Financial Services Procurement and Relationship Management	Investment Performance and Risk Management	Financial Markets and Products Knowledge	Actuarial Methods, Standards and Practices
<u>Members of Pensions Fund Board</u>						
Chair of the Pensions Fund Board	General awareness	General awareness	General awareness	General awareness	General awareness	General awareness
Members of Pensions Fund Board	General awareness	General awareness	General awareness	General awareness	General awareness	General awareness

General awareness

Able to demonstrate a familiarity with the key issues of the subject area, and a working knowledge and understanding of the application of these issues to the responsibilities of a Board Member.

Detailed awareness

Able to demonstrate a deeper knowledge and understanding of the subject area that goes beyond high-level familiarity, and includes specialist, expert or professional knowledge if appropriate

Training Undertaken to Date

	Area of Framework	Delivered by	Completion Date
Members of Pensions Fund Board	Pensions Legislative and Governance Context	LGA	9 th June 2015
Members of Pensions Fund Board	Investment Performance and Risk Management	LGA	9 th June 2015
Members of Pensions Fund Board	Actuarial Methods, Standards and Practices	LGA	9 th June 2015

Members of Pensions Fund Board	Pensions Accounting and Auditing Standards	LGA	9 th June 2015
Members of Pensions Fund Board	Financial Services Procurement and Relationship Management	LGA	9 th June 2015
Members of Pensions Fund Board	Financial Markets and Products Knowledge	LGA	9 th June 2015
Members of Pensions Fund Board	Investment Performance / benchmarking / asset classes	WM Company	15 th July 2015
A Pring, Board Member	Trustees Toolkit	Pensions Regulator	
Members of Pensions Fund Board	Pension Regulator Requirement 'Code of Practice'	Officer	5 th November 2015
Members of Pensions Fund Board	Pension Legislation and Consultations	Officer	5 th November 2015
Members of Pensions Fund Board	Valuation, Fund Performance, Outlook - AGM	Actuary and WM Company	23 rd November 2015
Members of Pensions Fund Board	Pensions Regulator – Reporting Breaches	Officer	27 th January 2016
Members of Pensions Fund Board	GMP Reconciliation / Fund Impact	Officer	27 th January 2016
Members of Pensions Fund Board	Valuation Process	Officer	April 2016
H. Coombs, Chair	Local Pension Boards – One Year On	CIPFA & Barnett Waddingham	29 th June 2016
H. Coombs, Chair	Welsh Pensions Workshop 'Meeting the Challenge of Good Governance'	CIPFA	12 th July 2016
A Pring, Board Member	Section 13 Workshop	GAD/DCLG	26 th September

Training Plan July 2016 to March 2017

	Area of Framework	Delivered by	Time Scale
Members of Pensions Fund Board	Annual Investment Performance	Advisor	20 th October 2016

AGM	Valuation	Actuary	21 st November 2016